

Message Text

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ORIGIN AF-06

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 COME-00

XMB-02 IGA-01 USIE-00 L-02 NEA-09 SSO-00 NSCE-00

INRE-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 PRS-01

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DRAFTED BY AF/C:RRSTRAND:GJB

APPROVED BY AF/C:WLCUTLER

AF/EPS: MR. DUNCAN

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA IMMEDIATE

INFO AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY LONDON

C O N F I D E N T I A L STATE 039242

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT: ZAIRE FINANCIAL SITUATION

REFS: KINSHASA 1452 AND 1427; STATE 027788

1. FNCB VP WEHRMAN CONFIRMS SUSPENSION OF INGA-SHABA LOAN.
THIS STOPS DISBURSEMENT UNTIL SNEL PAYS FEES AND INTEREST
DUE FEBRUARY 10. LOAN AGREEMENT REQUIRES FNCB, AS AGENT,
TO DECLARE SUSPENSION IN ABSENCE OF AGREEMENT OF SYNDICATE
MAJORITY NOT TO DO SO. FNCB DID NOT SEEK SUCH AGREEMENT.
IT REGARDS SUSPENSION AS MEANS OF PUTTING PRESSURE ON GOZ
SHORT OF DECLARING DEFAULT, WHICH FOUR SYNDICATE MEMBERS
HAD PROPOSED INSTEAD. (DECLARATION OF DEFAULT WOULD
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REQUIRE AGREEMENT OF EXIMBANK AS WELL AS 51 PERCENT OF

SYNDICATE.) SNEL AND BANK OF ZAIRE WERE NOTIFIED OF SUSPENSION BY TELEX FEBRUARY 14 AND HAVE NOT REPLIED. AT HIS REQUEST, SPINK WAS GIVEN APPOINTMENT WITH SAMBWA FEBRUARY 19, BUT APPOINTMENT WAS CANCELLED AT LAST MINUTE WITHOUT EXPLANATION.

2. WEHRMAN ALSO CONFIRMED DELINQUENCY ON AIRCRAFT LOAN, CONSISTING OF: 3.924 MILLION DOLLARS DUE UNDER AGREEMENT LAST AUGUST, BEFORE AGREEMENT ACTIVATED, AND NOT RPT NOT COVERED BY EXIM GUARANTEE; AND INTEREST PAYMENT DUE FNCB

AND EXIM SOMETIME PAST TWO WEEKS (WEHRMAN DIDN'T HAVE EXACT DATE AND FIGURES AT HAND).

3. ACCORDING WEHRMAN, THERE IS NO WAY SYNDICATE MEMBER COULD INDEPENDENTLY DECLARE ITS PORTION OF LOAN IN DEFAULT (KINSHASA 1452). PERHAPS WELLS FARGO WAS ONE OF THE FOUR INGA-SHABA SYNDICATE MEMBERS (WHICH WEHRMAN DISCREETLY AVOIDED IDENTIFYING) WHICH PROPOSED DECLARING DEFAULT RATHER THAN SUSPENSION. ACCORDING WEHRMAN, ALL FOUR NOW APPEAR SATISFIED WITH SUSPENSION.

4. WE HAVE NO REPORT THAT ANY LONDON BANKS, OR ANY OTHERS, HAVE DECLARED DEFAULT ON ANY ZAIRE LOAN. GIVEN EDGINESS OF BANKING COMMUNITY, WE WOULD RISK FUELING RUMOR BY INVESTIGATING IT. WE HAVE, HOWEVER, DISCUSSED INFO PARA 5 KINSHASA 1427 WITH WEHRMAN, WHO REPORTS FNCB HAS HEARD SIMILAR RUMORS OF POSSIBLE BANK ACTION BUT HAS BEEN UNABLE CONFIRM THEM THROUGH ITS LONDON SOURCES.

5. WEHRMAN REITERATED FNCB'S DETERMINATION NOT TO PANIC AND TO KEEP COUNSELING OTHER BANKS TO KEEP THEIR COOL. HE SAID FNCB HAS CANCELLED NO LINES OR LETTERS OF CREDIT FOR ZAIRE, THOUGH IT IS NOT WILLING PICK UP NEW BUSINESS FROM OTHER KINSHASA BANKS WHOSE FOREIGN CORRESPONDENTS HAVE STOPPED CONFIRMING LETTERS FOR ZAIRE. WEHRMAN REITERATED FNCB DISPOSITION TO PROVIDE BALANCE OF PAYMENTS BRIDGE FINANCING AS PART OF IMF-LED PROGRAM.

6. AS EMBASSY AWARE, IMF MISSION DID NOT FOLLOW SCHEDULE
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REPORTED STATE 027788. ARTICLE 14 MISSION, LED BY RUSSO, LEAVING WASHINGTON FEBRUARY 20 AND ARRIVING KINSHASA FEBRUARY 22. DINI, NOW IN EUROPE, DUE KINSHASA MARCH 3. FUND HAS BEEN BOMBARDED WITH CALLS FROM NERVOUS BANKS AND IS FULLY AWARE OF HOPEFULNESS WITH WHICH FINANCIAL COMMUNITY WILL BE WATCHING MISSION VISIT. DINI AND RUSSO ENVISAGE CONSULTATION WITH AMBASSADOR AND ECON STAFF UNLESS POLITICAL ATMOSPHERE THEY FIND IN KINSHASA SHOULD

MAKE CONTACT SEEM INADVISABLE.

7. AGREE WITH EMBASSY ASSESSMENT THAT MOBUTU WILL EXHAUST
LESS PAINFUL POSSIBILITIES BEFORE TAKING IMF MEDICINE.
RISK OF COURSE IS THAT FORMER WILL NOT MATERIALIZE AND
THAT HE WILL TURN TO FUND TOO LATE TO AVOID SERIOUS
FINANCIAL/ECONOMIC DISRUPTION. WE UNDERSTAND FROM
TEMPELSMAN THAT BISENGIMANA HAS BEEN "CLOSETTED" THIS
WEEK WITH REPS OF ARAB INVESTMENT BANK. KISSINGER

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